

# **LENOX TOWNSHIP LIBRARY**

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**New Haven, Michigan**

**FINANCIAL REPORT**

**WITH SUPPLEMENTAL INFORMATION**

**PREPARED IN ACCORDANCE WITH GASB 34**

**June 30, 2008**

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* <b>LENOX TOWNSHIP LIBRARY</b>	County* <b>MACOMB</b>	Type* <b>LIBRARY</b>	MuniCode* <b>50-8-005</b>
Opinion Date-Use Calendar* <b>Sep 17, 2008</b>	Audit Submitted-Use Calendar* <b>Oct 31, 2008</b>	Fiscal Year End Month* <b>06</b>	Fiscal Year* <b>2008</b>

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts Issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <b>NA</b>
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 461,196.00
General Fund Expenditure: ?	\$ 255,740.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 1,018,998.00
Governmental Activities Long-Term Debt (see instructions): ?	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* <b>JOHN E.</b>	Last Name* <b>GIDEON</b>	Ten Digit License Number* <b>1101007016</b>		
CPA Street Address* <b>42550 GARFIELD STE 105</b>	City* <b>CLINTON TWP</b>	State* MI	Zip Code* <b>48038</b>	Telephone* <b>+1 (586) 263-8200</b>
CPA Firm Name* <b>BUSS &amp; COMPANY, P.C.</b>	Unit's Street Address* <b>58976 MAIN ST.</b>	Unit's City* <b>NEW HAVEN</b>	Unit's Zip* <b>48048</b>	

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New Haven, Michigan  
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## INDEPENDENT AUDITOR'S REPORT

September 17, 2008

Board of Trustees  
Lenox Township Library  
New Haven, Michigan

Honorable Members:

We have audited the accompanying financial statements of the Lenox Township Library, a component unit of Lenox Township, as of June 30, 2008, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I A, the financial statements present only the Lenox Township Library and are not intended to present fairly the financial position and changes in financial position for the year then ended of Lenox Township, County of Macomb, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lenox Township Library as of June 30, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees  
Lenox Township Library  
September 17, 2008  
Page 2

The management's discussion and analysis on pages 3 through 4 and budgetary comparison schedule on page 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

BUSS & COMPANY, P.C.

A handwritten signature in cursive script that reads "Buss & Company, P.C." in dark ink.

Certified Public Accountants

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LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

Using this Annual Report

This annual report consists of three parts - *Management's discussion and analysis* (this section), the *basic financial statements*, and *required supplemental information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The *governmental fund financial statements* include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year and prior year.

	<u>2008</u>	<u>2007</u>
Current assets	\$1,026,621	\$ 819,218
Capital assets	<u>192,479</u>	<u>191,269</u>
Total Assets	<u>\$1,219,100</u>	<u>\$1,010,487</u>
Other liabilities	<u>\$ 7,623</u>	<u>\$ 5,676</u>
Total Liabilities	<u>\$ 7,623</u>	<u>\$ 5,676</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 192,479	\$ 191,269
Unrestricted	<u>1,018,998</u>	<u>813,542</u>
Total Net Assets	<u>\$1,211,477</u>	<u>\$1,004,811</u>
Revenue:		
Property taxes	\$ 397,114	\$ 357,591
Other	<u>64,082</u>	<u>69,684</u>
Total Revenue	\$ 461,196	\$ 427,275
Expenses - Library services	<u>254,530</u>	<u>258,140</u>
Change in Net Assets	<u>\$ 206,666</u>	<u>\$ 169,135</u>

(Continued)

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
June 30, 2008

The Library as a Whole

- The Library's net assets increased by \$206,666 this year. The primary reason for the increase is the continued growth of the Library's property tax base, which increased 12.2% from the prior year.
- The Library's primary source of revenue is from property taxes, which represents 86.1% of total revenue.
- Total expenses were 55.2% of total revenue for the year. Salaries amount to approximately 48.9% of total expenditures. Benefits amount to 13.6% of total expenditures.

The Library's Fund

Our analysis of the Library's fund is included on pages 7 and 9. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. All of the Library's activities are reported in a single fund.

The fund balance of the Library increased during the current year by \$205,456. The increase exceeded the budgeted increase of \$ -0- by \$205,456. Revenues exceeded budgeted amounts by \$64,576 due primarily to property taxes increasing more than expected and an increase in interest rates. Budgeted expenditures exceeded actual expenditures by \$140,880 due primarily to salaries and fringes not increasing as much as expected as well as expenditures for capital outlay, repairs and maintenance and miscellaneous expense being less than planned.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The amendments made during the year simply reallocated certain budgeted expenses; there were no changes to total revenues or expenditures.

Capital Assets

At the end of the fiscal year, the Library had \$343,844 invested in buildings and improvements, furniture and fixtures, equipment, and books and materials. The Library added \$29,826 in new collection items consisting of new books, various audio/visual materials and furniture and equipment.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Township. In light of our future plans, we need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director, at 58976 Main Street, New Haven, Michigan 48048.

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
STATEMENT OF NET ASSETS  
June 30, 2008

ASSETS

Cash and cash equivalents	\$ 896,730
Investments	112,281
Suburban Library Cooperative account	8,996
Taxes receivable	1,061
Due from other governments	2,768
Prepaid expenditures	4,785
Capital assets - Net of accumulated depreciation	<u>192,479</u>
Total Assets	<u>\$1,219,100</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 6,562
Deferred revenue	<u>1,061</u>
Total Liabilities	<u>\$ 7,623</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 192,479
Unrestricted	<u>1,018,998</u>
Total Net Assets	<u>\$1,211,477</u>

See accompanying notes to financial statements.



LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

<u>FUNCTION/PROGRAM:</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u> <u>CHARGES FOR</u> <u>SERVICES</u>	<u>OPERATING</u> <u>GRANTS</u>	<u>NET (EXPENSE)</u> <u>REVENUE AND CHANGES</u> <u>IN NET ASSETS -</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
Governmental Activities:				
Library services/operations	<u>\$254,530</u>	<u>\$ 7,531</u>	<u>\$ 3,300</u>	<u>(\$ 243,699)</u>
<u>GENERAL REVENUES:</u>				
Property taxes				\$ 397,114
State revenues				16,764
Interest on investments				29,430
Contributions and donations				1,830
Centralized purchasing				<u>5,227</u>
Total General Revenues				<u>\$ 450,365</u>
CHANGE IN NET ASSETS				\$ 206,666
<u>NET ASSETS:</u>				
Beginning of year				<u>1,004,811</u>
End of year				<u>\$1,211,477</u>

See accompanying notes to financial statements.

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
COMPARATIVE BALANCE SHEET  
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 896,730	\$693,212
Investments	112,281	107,349
Suburban Library Cooperative account	8,996	9,997
Taxes receivable	1,061	407
Due from other governments	2,768	3,320
Prepaid expenditures	<u>4,785</u>	<u>4,933</u>
 Total Assets	 <u>\$1,026,621</u>	 <u>\$819,218</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES:</u>		
Accounts payable	\$ 6,562	\$ 5,269
Deferred Revenue - Property taxes	<u>1,061</u>	<u>407</u>
 Total Liabilities	 \$ 7,623	 \$ 5,676
 <u>FUND BALANCE:</u>		
Unreserved, Undesignated	<u>1,018,998</u>	<u>813,542</u>
 Total Liabilities and Fund Balance	 <u>\$1,026,621</u>	 <u>\$819,218</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS  
For The Year Ended June 30, 2008

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS \$1,018,998

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the governmental funds:

The cost of capital assets is	\$343,844	
Accumulated depreciation	( 151,365)	
Total		<u>192,479</u>

NET ASSETS - FULL ACCRUAL BASIS \$1,211,477

See accompanying notes to financial statements.

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For The Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>REVENUES:</u>		
Property taxes	\$ 397,114	\$357,591
State aid	5,505	6,666
Single business tax	2,282	2,282
Penal fines	8,977	11,327
Interest	29,430	29,824
Donations	1,830	3,170
Centralized purchasing	5,227	5,390
Miscellaneous	7,531	6,625
Grant	<u>3,300</u>	<u>4,400</u>
Total Revenues	<u>\$ 461,196</u>	<u>\$427,275</u>
<u>EXPENDITURES:</u>		
Current:		
Salaries	\$ 124,465	\$121,023
Employee benefits and payroll taxes	34,634	36,084
Magazines and newspapers	1,951	2,347
Supplies	6,313	6,870
Automation	16,764	13,800
Database subscription	1,606	2,873
Cooperative services	3,029	3,202
Repairs and maintenance	6,661	6,139
Membership and dues	175	515
Telephone and utilities	7,947	8,217
Professional fees	9,550	6,781
Public relations	188	175
Programming	1,585	1,463
Insurance	4,184	7,911
Workshops and conferences	1,031	782
Miscellaneous	602	1,073
Tax refunds	1,965	574
Capital outlay	<u>33,090</u>	<u>41,167</u>
Total Expenditures	<u>\$ 255,740</u>	<u>\$260,996</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 205,456</u>	<u>\$166,279</u>
FUND BALANCE - JULY 1	<u>813,542</u>	<u>647,263</u>
FUND BALANCE - JUNE 30	<u><u>\$1,018,998</u></u>	<u><u>\$813,542</u></u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP MICHIGAN

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2008

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS	\$205,456
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(\$ 28,616)	
Capital outlay - in excess of \$2,000	<u>29,826</u>	
Total		<u>1,210</u>

CHANGE IN NET ASSETS - FULL ACCRUAL BASIS	<u>\$206,666</u>
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See accompanying notes to financial statements.

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lenox Township Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**A. GOVERNMENTAL REPORTING ENTITY**

The Library is located in Lenox Township, Michigan and is governed by an independent six-member board. The Library was formed under P.A. 164 of 1877 and remains a fund of the Township. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board and include only the results of operations of the Library.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts - invested in capital assets, net of related debt; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to Library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports all of its activities in a single fund on the modified accrual basis.

(Continued)

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2008

**C. ASSETS, LIABILITIES AND FUND EQUITY**

**Cash and Investments** - The Library has defined cash and cash equivalents to include cash on hand and demand deposits. Investments are reported at fair value.

**Receivables and Payables** - Property taxes receivable represent uncollected property taxes levied on December 1, 2007.

Lenox Township property tax is levied on each December 1<sup>st</sup> on the taxable value of property (as defined by state statutes) located in the Township. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the Township totals approximately \$306.1 million, on which ad valorem taxes levied consisted of 1.2737 mills for Library operations, raising \$389,913 for Library operating purposes. The amount uncollected at June 30, 2008 is recognized in the financial statements as taxes receivable with an offsetting credit to deferred revenue. Taxes receivable has been reduced for amounts received during the year.

**Capital Assets** - Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond one year, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	7 years
Improvements	15 years
Library books and materials	7 years

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change. At June 30, 2008, there is no reservation or designation of fund balance.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(Continued)

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the Library. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

The budget has been adopted on a line item basis; expenditures at this level in excess of budgeted amount are a violation of Michigan law. A comparison of actual results of operations to the budget can be found in the supplemental information.

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Library in accordance with Public Act 20 of 1943 (as amended) authorizes investments in U.S. Treasuries, U.S. Agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools and mutual funds. The policy delegates management of the investment program to the Lenox Township Treasurer pursuant to MCLA 41.76.

At year end the Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 896,730
Investments	<u>112,281</u>
Total	<u>\$1,009,011</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	<u>\$1,009,011</u>
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(Continued)



LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2008

**A. DEPOSITS AND INVESTMENTS (Continued)**

The Library's cash and investments are subject to certain types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk.

At year end, bank deposits were reflected in the accounts of the bank at \$1,011,973. Of that amount, \$300,915 was covered by federal depository insurance and \$711,058 was uninsured and uncollateralized. The Library believes that due to dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**B. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2008 follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
<b><u>CAPITAL ASSETS BEING DEPRECIATED:</u></b>				
Buildings and improvements	\$137,152	\$ -	\$ -	\$137,152
Furniture and equipment	22,288	3,300	-	25,588
Library books and material	<u>177,721</u>	<u>26,526</u>	<u>23,143</u>	<u>181,104</u>
	\$337,161	\$ 29,826	\$ 23,143	\$343,844
Accumulated depreciation	( 145,892)	( 28,616)	( 23,143)	( 151,365)
Net Book Value	<u>\$191,269</u>	<u>\$ 1,210</u>	<u>\$ -</u>	<u>\$192,479</u>

**IV. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**V. DEFERRED COMPENSATION PLAN**

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

**VI. SUBSEQUENT EVENTS**

On August 8, 2008, Lenox Township Library purchased a parcel of vacant land for \$250,000. This property is located in New Haven, Michigan and was purchased as a site to construct a new Library.

BUSS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

## REQUIRED SUPPLEMENTAL INFORMATION

LENOX TOWNSHIP LIBRARY  
New Haven, Michigan  
BUDGETARY COMPARISON SCHEDULE  
For The Year Ended June 30, 2008

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES:</u>				
Property taxes	\$356,500	\$356,500	\$397,114	\$ 40,614
State aid	3,200	3,200	5,505	2,305
Single business tax	2,200	2,200	2,282	82
Penal fines	9,120	9,120	8,977	( 143)
Interest	20,000	20,000	29,430	9,430
Donations	100	100	1,830	1,730
Centralized purchasing	-	-	5,227	5,227
Miscellaneous	5,500	5,500	7,531	2,031
Grant	-	-	3,300	3,300
Total Revenues	<u>\$396,620</u>	<u>\$396,620</u>	<u>\$461,196</u>	<u>\$ 64,576</u>
<u>EXPENDITURES:</u>				
Salaries	\$180,000	\$180,000	\$124,465	\$ 55,535
Employee benefits and payroll taxes	38,800	38,800	34,634	4,166
Magazines and newspapers	2,500	2,500	1,951	549
Supplies	10,000	10,000	6,313	3,687
Automation	17,000	17,000	16,764	236
Database subscription	6,000	6,000	1,606	4,394
Cooperative services	1,600	3,029	3,029	-
Repairs and maintenance	28,795	28,795	6,661	22,134
Membership and dues	1,500	1,500	175	1,325
Telephone and utilities	9,000	9,000	7,947	1,053
Professional fees	9,000	10,000	9,550	450
Public relations	200	200	188	12
Programming	4,000	4,000	1,585	2,415
Insurance	8,000	8,000	4,184	3,816
Workshops and conferences	5,000	5,000	1,031	3,969
Miscellaneous	21,225	17,796	602	17,194
Tax refunds	1,000	2,000	1,965	35
Capital outlay	53,000	53,000	33,090	19,910
Total Expenditures	<u>\$396,620</u>	<u>\$396,620</u>	<u>\$255,740</u>	<u>\$140,880</u>
EXCESS REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$205,456</u>	<u>\$205,456</u>

See accompanying notes to financial statements.

# BUSS & COMPANY, P.C.

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Randy A. Carlier, C.P.A.

MEMBERS  
The American Institute of  
Certified Public Accountants  
The Michigan Association of  
Certified Public Accountants

September 17, 2008

Board of Trustees  
Lenox Township Library  
New Haven, Michigan

Re: Supplemental System and Internal Control  
Comments and Recommendations in conjunction  
with audit for the year ended June 30, 2008

Honorable Members:

In planning and performing our audit of the financial statements of Lenox Township Library for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect Lenox Township Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

## **Library Classification**

The Library was formed under P.A. 164 of 1877. It remains a fund of Lenox Township even though the Library has an independent Board. The Library and the Township have properly adopted a system for the receipt and expenditure of Library funds through the Township Treasurer's Office.

## **Grant Revenues and Expenditures**

During the year, the Library had acquired three computers via a grant from the Bill and Melinda Gates Foundation. The Grant monies were disbursed, and the computers purchased, through the Suburban Library Cooperative. Accordingly, the transaction was not recorded in the general ledger at the time of transaction. Generally Accepted Accounting Principles require that grant revenues and related expenditures be recorded in the general ledger at the time the transaction occurs. The transaction was recorded via an audit general journal entry. Consistent with our prior year recommendation, we recommend that procedures be designed and implemented to record such transactions.

**Budgeting**

P.A. 621, The Uniform Budgeting and Accounting Act, requires all budget adjustments be made prior to the fiscal year end. The Library should review the budget throughout the year and make adjustments accordingly. The Library has timely made budget adjustments prior to the end of the fiscal year as required.

**Cash Management and Investment Policy**

The Library believes that due to dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Library should continue to monitor cash levels and the depository institutions and utilize additional institutions when practical.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Lenox Township Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We appreciate the cooperation of the Library staff and trustees during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in black ink that reads "Buess & Company, P.C." in a cursive, stylized font.

Certified Public Accountants

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MEMBERS  
The American Institute of  
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The Michigan Association of  
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September 17, 2008

Board of Trustees  
Lenox Township Library  
New Haven, Michigan

We have audited the financial statements of Lenox Township Library for the year ended June 30, 2008, and have issued our report thereon dated September 17, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Lenox Township Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters with Joann E. Hoffmeyer, Director, as reflected in our engagement letter dated July 16, 2008.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lenox Township Library are described in Note I to the financial statements. No new significant accounting policies were adopted and the application of existing policies were not changed during 2008. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no estimates affecting the financial statements which were deemed sensitive in nature.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 17, 2008, a copy of which is available from management.

Board of Trustees  
Lenox Township Library  
September 17, 2008  
Page 3

*Management Consultations with other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Lenox Township Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BUSS & COMPANY, P.C.

A handwritten signature in cursive script that reads "Buss & Company, P.C." in dark ink.

Certified Public Accountants